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Buckland, Ralph Pomeroy

National currency, speech
... in the House of ...

Washington

1869

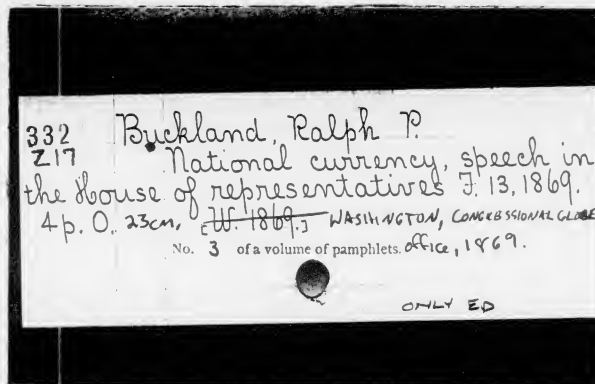
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NATIONAL CURRENCY.

SPEECH

OF

HON. RALPH P. BUCKLAND,
OF OHIO,

IN THE HOUSE OF REPRESENTATIVES, FEBRUARY 13, 1869.

The House having under consideration the bill (S. No. 440) supplementary to an act entitled "An act to provide a national currency secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof," approved June 3, 1864—

Mr. BUCKLAND said:

Mr. SPEAKER: I rise principally for the purpose of opposing the amendment of the majority of the Committee on Banking and Currency to the fourth section of the pending bill. I am not entirely satisfied with that section as it came from the Senate, but I think it is better and more just than the amendment proposed by the committee.

It is not necessary to consider at this time what were the circumstances leading to the establishment of the national banks. Whatever may have been the inducements to grant these exclusive privileges, the system has been established by law for nearly six years, and these national banks have enjoyed during that time the exclusive privilege of issuing paper money and making profit thereby. The Government of the United States are under no obligations to them at all, for they have been more than compensated in profits for all the aid rendered by them to the Government. Nor have they any claim on the ground of a subsisting contract, because the laws under which they are organized provided that they may at any time be altered, amended, or repealed. It is a question only of public policy and of justice to the people of all the States as to how the Government shall distribute these exclusive and profitable privileges.

The chairman of the Committee on Banking and Currency [Mr. POMEROY] stated in his remarks that the capitalists of New York and of the eastern States came forward in times of great trouble and uncertainty and loaned to the Government their capital to carry on the war and to sustain its credit. He also told us that these banks were organized for this purpose. Now, Mr. Speaker, is not the simple truth just this, that these capitalists, when the Government was in distress for money, came to it and said that if it would pass a law by which they could make a profit of from ten to

fifty per cent. on the use of their money they would organize under that law and take the bonds of the United States? But admit all that is claimed by the chairman of the committee, and all others representing this great interest, what has been the result? Why, sir, the result has been that from the organization of these banks down to the present day they have made from ten to fifty per cent. per annum profit on their investments; and I am told some of them more than fifty per cent. per annum. I say, therefore, that this question is not to be settled upon any consideration that it is a hardship to the States having more than their just proportion of this banking circulation to require them to surrender a small part of the excess. It is not a hardship at all. We are met at the threshold with this objection, but I contend that we are bound to do equal justice to the people of all the States. No set of men who have enjoyed these privileges under the law for four or five years have the right to come here now and say that they must be continued in the enjoyment of more than their proportion of the profits of issuing paper money because they have been permitted to do so heretofore.

The first law authorizing national banks, passed in 1863, required \$150,000,000 of the circulation to be "apportioned to associations in the States, in the District of Columbia, and the Territories according to representative population, and the remainder by the Secretary of the Treasury among associations formed in the several States, in the District of Columbia, and in the Territories, having due regard to existing banking capital, resource, and business of such State, District, and Territory." But on the 3d of June, 1864, the national banking law was enacted, leaving this provision out. On the 3d of March, 1865, the provision was restored and remains in force; but before it was restored the States of Massachusetts, Rhode Island, Connecticut, and New York had absorbed more than one half of the entire circulation authorized for all the States, thereby preventing other States from obtaining their due proportion in accordance with that provision. They still retain it, and I presume will

not willingly relinquish the profits they are making thereby, however unjust this inequality may be to the people of the other States. I have prepared a table from the last report of the Comptroller of the Currency, showing the number of national banks in each of the States, the District of Columbia, and the Territories, and the circulation in each in October last. Also the number of Representatives in Congress from each State, to indicate the representative population which, in my opinion, is the only just basis for the apportionment of the national banking circulation among the States:

| States. | Number of banks. | Number of Representatives. | National bank circulation. |
|----------------------|------------------|----------------------------|----------------------------|
| Maine | 61 | 6 | \$7,590,000 |
| New Hampshire | 42 | 6 | 5,757,500 |
| Vermont | 40 | 6 | 5,757,500 |
| Conn. & Rhode | 20 | 10 | 5,757,500 |
| Massachusetts | 81 | 10 | 5,757,500 |
| New York | 207 | 29 | 17,443,703 |
| Pennsylvania | 197 | 24 | 38,772,102 |
| Maryland | 32 | 8 | 8,901,800 |
| District of Columbia | 11 | 1 | 1,198,825 |
| Virginia | 18 | 3 | 1,197,700 |
| West Virginia | 15 | 3 | 2,466,679 |
| Ohio | 153 | 19 | 18,410,425 |
| Indiana | 88 | 11 | 11,018,725 |
| Illinois | 183 | 11 | 9,618,135 |
| Michigan | 42 | 6 | 8,884,455 |
| Wisconsin | 34 | 6 | 2,511,411 |
| Iowa | 44 | 6 | 3,225,228 |
| Minnesota | 15 | 1 | 1,478,800 |
| Kansas | 15 | 1 | 341,000 |
| Missouri | 4 | 1 | 4,129,315 |
| Kentucky | 15 | 9 | 2,338,629 |
| Tennessee | 12 | 8 | 1,204,755 |
| Louisiana | 12 | 8 | 1,317,415 |
| Mississippi | 2 | 1 | 61,095 |
| Alabama | 1 | 1 | 9,000 |
| Georgia | 3 | 1 | 234,000 |
| Florida | 8 | 2 | 1,214,000 |
| North Carolina | 1 | 1 | 310,000 |
| South Carolina | 3 | 1 | 150,000 |
| Alabama | 1 | 1 | 30,150 |
| Nevada | 1 | 1 | 131,700 |
| Oregon | 1 | 1 | 88,500 |
| Idaho | 1 | 1 | 1,200,000 |
| Utah | 1 | 1 | 1,200,000 |
| Arkansas | 2 | 3 | 170,500 |
| Texas | 1 | 1 | 13,000,000 |
| Montana | 1 | 1 | 25,000 |
| Wyoming | 1 | 1 | 63,500 |
| Total | 1,620 | | \$200,805,565 |

By reference to this table it appears that Massachusetts, with only ten of the two hundred and forty-two Representatives, has now \$57,541,640, more than one sixth of the entire national bank circulation; and Massachusetts, Rhode Island, Connecticut, and New York, with only forty-seven Representatives, have \$155,878,639, more than one half of the entire amount. These four States have more bank circulation than all the rest of the States, Territories, and the District of Columbia put together. Massachusetts has more circulation than Ohio, Indiana, Illinois, Michigan, Wisconsin, Iowa, Minnesota, Kansas, Nebraska, and

Missouri; and yet Massachusetts has only ten Representatives, while the other States named have seventy-five. Connecticut, with only six Representatives, has \$17,443,703, and Rhode Island, with only two Representatives, has \$12,491,489; Maine, New Hampshire, Vermont, Pennsylvania, and Maryland have an excess over their proportion according to population, but not near so great an excess.

Now, Mr. Speaker, I do not desire to find fault with Massachusetts or New York, or any other State, or to do them injustice; but I do say that if this banking system is to remain in force the people of the West will demand that they have their share of its benefits, and the people of the South will also make the same demand; and, sir, they have a right to demand it. Because certain fortunate people of these eastern States have already laid up princely fortunes out of this business, instead of any reason why they should continue to do so to the exclusion of the people of the other States? I think not. I contend that the privilege of using the credit of the United States for making money should be distributed among the people of all the States as equally as possible, and if the national bank currency is to be limited to \$300,000,000 it should be distributed not according to property, but according to population, provided the population of the several States desire this proposition. Because the people in certain portions of the country have more capital than in others is no reason why they should have more of these facilities than the less wealthy people of other States. On the contrary, the fact that the people of some of the States have less wealth than in others is a very good reason why this Government should legislate to better their condition.

But the proposition of the majority of the committee is to put even all the banks for the purpose of obtaining the desired amount to be distributed in the southern States. It proposes to raze the circulation of all the banks in the same proportion, in the States which now have less than their proper share of the circulation as well as in those which have a large excess, even in those which now have the least.

Mr. Speaker, I claim that the population of the western States require more circulation *per capita* than that of the eastern States, which are more densely populated. The business of the eastern cities, New York and Boston, is done by checks, handling comparatively little currency. It is simply a transfer of the credit of one man upon the books of the banks to the credit of another man by checks. But in the country, where a large portion of the people reside remote from banks, business is not and cannot be done in that way. These mechanics and farmers must have currency to carry in their pockets wherever they go. But, however, that may be, what I claim this Congress ought to do now is to provide whatever circulating medium these desolate States need by taking it from those States which have an excess over their proportion, leaving the banks in those States which have no excess undisturbed. We ought not to take bank circulation from Indi-

ana, Ohio, and Illinois for the purpose of distributing it in other States so long as there is so large a disproportion of this circulation in Massachusetts, Connecticut, Rhode Island, and New York.

Mr. Speaker, all exclusive privileges sooner or later become odious to the people. I do not believe that this national banking system, upon the present exclusive plan, will exist or can exist many years, for the reason that the people see that a few men in every town and city are building up fortunes out of a privilege which they themselves are denied. Unless Congress enacts a free banking law which shall be open to all who can furnish the necessary securities, or corrects the present unequal distribution of the bank currency, sooner or later this national banking system will go by the board. If, therefore, it is desirable to perpetuate the system, Congress must show a disposition to do justice to all the people, and not confine the greater share of its benefits to four or five States in great disproportion to their population. In my judgment, the time is not far distant when the people will demand a free banking system or the substitution of United States currency for all bank paper. But that is a question which it is not now my purpose to discuss. The country is not now in a condition to warrant the attempt to make any great change in the system or quantity of the currency. The most that we can or ought to do now is to remedy the defects in the present national bank system upon all parts of the country as equally as circumstances will permit.

Mr. Speaker, if the settlement of this question depended upon my judgment I would first determine how much of this circulating medium it is necessary to you must distribute the amount of the southern and western States, which have much below their proportional amount; and when I had ascertained that, I would take it from the States which have an excess in proportion to the amount of that excess. But the principle upon which this amendment of the committee proceeds is to keep up the disproportion between the West and the East in the distribution of the circulation hereafter. I do not think it would be good policy to cut down that disproportion all at once; but if you want \$200,000,000 this year to supply the just demands of the South and West, take it from the States which have more than they ought to have, and give it to the States which need it; and if you want \$200,000,000 next year for the same purpose, take it from the States which then have more than belongs to them and give it to those which have less, and keep doing so until you have fairly distributed the \$200,000,000 among all the States according to their population and needs. When you have done that you will have accomplished the next best thing to a free banking law, and the only thing that will satisfy the people of the States who present their demanding a free banking law or the abolition of national banks altogether. I think in this respect the bill of the Senate is much

better than the amendment proposed by the Committee on Banking and Currency, for this reason: that it takes from the banks which have a larger circulation than their proportional amount, according to the census of 1850, and gives it to those States which have now less than five dollars per inhabitant. There would be, I think, two hundred and forty-two Representatives in Congress were all the States represented, who represent the population of the several States as it was in 1850. The growing western States at this time have a much larger population than in 1850; but if we take the representative population of 1850 as a basis for apportioning the banking circulation of \$200,000,000 we will find it to give a little less than \$1,250,000 to each Representative in Congress from the several States.

I think it would be fair to take ten, fifteen, or twenty millions, or whatever is necessary at this time to distribute to States which are in want of circulation from the States having a larger amount of circulation than \$1,250,000 for each Representative in Congress. Certainly the eastern States cannot in justice object to that, because the population of all the western States has much more largely increased than that of the eastern States since the census of 1850. If we take that as the basis it will indicate that Congress stands in no manner to distribute these privileges among the people of the several States according to their numbers, and not according to their wealth. I object to all legislation which has a tendency to make the rich richer and the poor poorer. I think the people of these States will demand a more equal distribution of the national bank currency, because \$200,000,000 is not sufficient to supply all who desire to go into the banking business. Therefore if you would continue that limit you must distribute the amount not according to capital, but according to population, in order to satisfy the people that the national banking system is not being maintained mainly for the benefit of the large capitalists.

Mr. Speaker, I propose to amend the Senate bill which if adopted will require the \$200,000,000 for distribution to States having a less national banking circulation than five dollars per inhabitant to be withdrawn *pro rata* from banks in States having an excess of national bank circulating notes over one million two hundred and fifty thousand dollars to each Representative in Congress. This is better than the Senate plan, for the reason that the law of 1850 is very indefinite and uncertain as to the apportionment of \$150,000,000 of the circulation. My amendment will make the law so plain that it can be understood by everybody, and will leave nothing to the discretion or favoritism of the Secretary of the Treasury. The experience of the past warns us to make suitable precautionary provisions for the future.

Mr. Speaker, there is one provision in the amendment proposed by the committee which I approve, and hope to see adopted, and I present it to the protest that no association shall have an amount of circulating notes exceeding \$1,000,000; and every association having a

larger amount shall, as soon as practicable, withdraw from circulation and return to the Comptroller of the Currency to be canceled all the circulating notes in excess of that amount. One million is as much as any one association ought to be allowed to have. In the city of New York there are five banks which have over \$14,000,000. One of these, the National Bank of Commerce, has \$6,000,000. In the city of Boston two banks have about \$3,000,000. Reducing these banks to \$1,000,000 each will withdraw about \$10,000,000, one half of the amount required by the Senate bill. I think it would be good policy and just to take the balance of the \$20,000,000 from the banks which have over \$500,000 of circulating notes in the States having an excess in proportion to their representative population. By this means the circulation in these States will be left more equitably distributed. The excess of circulation in these States is mostly absorbed by mammoth banks in the cities, whereas the business of the cities requires less proportional circulation than the country. New York city has about \$30,000,000, and all the rest of the State \$38,000,000. The city of Boston has about \$26,000,000, and all the rest of the State of Massachusetts about \$31,000,000. Before the war, under the State bank system, New York city had less than \$7,000,000 of bank circulation, which proves conclusively that the New York city banks can surrender a large amount of their present circulation without at all affecting the business interests of the city. The city banks do not need much circulation to enable them to do a profitable business. Their deposits are large; whereas the deposits of the country banks are comparatively small, and they rely more upon the profits of their circulating notes. The concentrated money influence of New York city has become too great for the good of the country, and the disproportionate amount of the national bank currency which the banks of that city have has done much to produce that evil. The proper distribution of the national bank currency among the several States and Territories will have a tendency to correct the evil. The bill of the Senate will not give Ohio any additional bank circulation, but the amendment of the committee will take from that State between two and three million dollars without returning any, whereas Ohio has now at least \$5,000,000 less than her ratable proportion. I cannot therefore consent to any decrease.

I desire to say a few words in reply to some

remarks made by gentlemen here in regard to requiring banks that propose to go into liquidation to substitute greenbacks for their circulation. It has been claimed by the gentleman from Illinois [Mr. INGERSOLL] and others that it would enable the banks to tie up hundreds of millions of dollars of currency. For the life of me I cannot see how the gentleman could have got such an idea into his head.

Mr. INGERSOLL. I can tell the gentleman very easily; because it is correct.

Mr. BUCKLAND. When the banks substitute greenbacks for their circulation the greenbacks become so much money in the Treasury. It is not destroyed, but may be paid out the same as any other money in the Treasury. And the effect is contrary to what the gentleman supposes; it is to give the Government the benefit of the circulation of the national banks, substituting greenbacks until it is redeemed, without interest, and the use of the greenbacks paid into the Treasury for the redemption of the national banking circulation until that circulation is presented for redemption. And if it is not presented for five or ten years so much the better for the Government.

Mr. INGERSOLL. There is no provision in the bill which authorizes the Treasurer of the United States or the Secretary of the Treasury or the Government to use the greenbacks thus deposited as a fund from which to redeem the national banking currency.

Mr. BUCKLAND. No new law is required for that purpose. If it is paid into the Treasury, it is money to be used like any other money in the Treasury. The gentleman is mistaken as to the law as it now stands, and as to the provisions of the bill upon that subject. The law as it now stands and the bill require the banks to pay into the Treasury an amount of lawful money of the United States equal to the amount of their outstanding circulating notes and requires the Treasurer to redeem these outstanding notes when presented, but does not require him to keep the identical money paid in by the banks for the purpose of the redemption. He may redeem them with any money in the Treasury at the time they are presented. Therefore, the statement that the banks can, under the provisions of the law or the bill, tie up millions or any amount of the United States currency is not well founded. The Treasurer can pay it out as fast as received; and as fast as the bank currency is redeemed an equal amount may be issued to other banks.

**END OF
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